

**GATEWAY ECONOMIC DEVELOPMENT
CORPORATION OF GREATER CLEVELAND**

**Minutes of a Meeting of the
Board of Trustees**

**Held on November 15, 2017
1:00 o'clock p.m.**

**Offices of
Climaco, Wilcox, Peca & Garofoli Co., L.P.A.
55 Public Square, Suite 1950
Cleveland, Ohio**

There being a quorum present, Mr. Carroll called the meeting to order at approximately 1:00 p.m. Board members Emmanuel Glover, William Reidy, and Matt Carroll were present. No Board members were absent. Also present were Todd Greathouse, Brian Kelly, and Daniella Nunnally of Gateway, as well as Dennis Wilcox, Gateway's General Counsel. Also present was Gateway's Engineering Consultant David Faller. Present from the Cavaliers were Len Komoroski and Antony Bonavita. Present from the public was William Tarter.

Mr. Carroll opened the meeting and asked for approval of the Minutes of the August 23, 2017 meeting. Upon motion made by Mr. Glover, and seconded by Mr. Reidy, the Minutes were unanimously approved 3-0.

Next, the Board heard public comment from William Tarter. He indicated he had long term concerns about the available funds to address Major Capital Repairs at the facilities and, in particular, the two items that were being presented today for the Cavs and the Indians. He expressed his overall budget concerns going forward.

The Board next heard the Executive Director's report. Mr. Greathouse first reported on Arena Major Capital updates, the first being the roof project. He indicated the upper roof was 99% complete with some lightening preventative materials being installed now and that the upper roof project would be completed shortly. The lower roofs continue to be repaired and will continue throughout winter, weather permitting. The total roof project budget is approximately \$7,200,000, of which \$4,100,000 was previously approved, and savings of \$900,000 were obtained, with another \$236,000 paid from the Cavs for extra work related to the roof sign. Therefore, there is approximately \$5,200,000 available for the roof projects. He believes there will be approximately a \$1,800,000 shortfall, which will be fully explained at the next meeting, along with a plan to proceed with completing all of the roof projects.

Mr. Greathouse then reviewed a new Major Capital Repair request from the Cleveland Cavaliers which was in two parts, one for replacement of the hot water tanks and the other for major HVAC Capital Repairs. He first reviewed the procedures that the Board established in 2012 and

indicated that these requests have been reviewed with the Cavs and were previously brought to the Board at the last meeting.

He then turned the meeting over to Gateway's engineering consultant, David Faller, to explain the requests which were detailed to the Board in the materials of the meeting. In relation to the hot water tank, the request is for \$628,000 to replace two 2,500 gallon tanks. He indicated that the current hot water tanks had been well maintained and their useful life had been extended to the extent possible, but we are now looking at close to 25 years and their useful life has been completed. He did note that previously the Ballpark hot water tanks had been replaced. He also then described the procedure by which the tanks would need to be removed, including removing them through the roofs and repairing the roof because of the size of the tanks.

Mr. Faller then reviewed the HVAC project, again referring to the power point in the Board materials. The amount of the request had increased from the original estimate, in part because now there are 75% drawings for the HVAC and actual testing of the numbers as opposed to a construction estimate without actual drawings.

Mr. Carroll then asked about the original study done by Venue Systems, and whether the useful life of the system had been maxed-out, which Mr. Faller thought it had. Mr. Carroll then asked if the new components would have the same quality and useful life as the existing components, which Mr. Faller said they would. Mr. Carroll then asked about the efficiency of the system, and Mr. Faller indicated the system would run more efficiently than the current system which would result in savings. Mr. Carroll then finally asked if the numbers requested were reasonable. Mr. Faller indicated they were. Mr. Greathouse then noted that \$5,000,000 of the approximately \$29,000,000 requested had been previously approved by the Board and Mr. Carroll noted that as well for the record.

Upon further discussion and consideration, upon motion made by Mr. Glover, seconded by Mr. Reidy, the Board unanimously approved the following Resolution 2017-3:

RESOLUTION NO. 2017-3

REGARDING RECOMMENDATION WITH RESPECT TO
REQUEST FOR MAJOR CAPITAL REPAIRS FROM
THE CAVALIERS OPERATING COMPANY, LLC

WHEREAS, Gateway Economic Development Corporation of Greater Cleveland ("Gateway") has agreed to provide for Major Capital Repairs as defined in the Lease dated as of October 12, 2017 (the "Lease") between Gateway and Cavaliers Operating Company, LLC (the "Cleveland Cavaliers"); and

WHEREAS, the Board of Trustees (the "Board") of Gateway has previously notified the City of Cleveland, Ohio ("City") and Cuyahoga County ("County") that Gateway does not have sufficient funds to pay Major Capital Repairs as defined in the Lease and requested the respective appointing authorities of Gateway, the City and the County, to consider such funding of Major Capital Repairs; and

WHEREAS, on May 9, 2012 the Board adopted Resolution No. 2012-1 setting forth its policies and procedures with respect to Major Capital Repairs ("Policy"); and

WHEREAS, the Cleveland Cavaliers have submitted a request for approval of Major Capital Repairs to the Arena under the Lease; and

WHEREAS, the Board has reviewed such request and pursuant to the Policy has received information from its professional consultant recommending approval of such items as noted on Exhibit A as Major Capital Repairs; and

WHEREAS, the Gateway Board desires to recommend approval of the Major Capital Repairs request from the Cleveland Cavaliers as further described in Exhibit A attached hereto.

NOW, BE IT RESOLVED, that the Board of Trustees of Gateway, on behalf of Gateway, finds that the requested Major Capital Repairs from the Cleveland Cavaliers for the Arena, attached as Exhibit A hereto, are Major Capital Repairs under the Lease and are hereby recommended for approval.

BE IT FURTHER RESOLVED, that this Resolution, including the attached Exhibit A, constitutes Gateway's recommendation under the Policy and shall be forwarded to the City and the County forthwith and Gateway shall continue to provide information to the City and the County as requested to support this recommendation.

BE IT FINALLY RESOLVED, that the Board respectfully requests the County or City make a decision as to this recommendation no later than December 31, 2017.

Exhibit A

Cleveland Cavaliers Major Capital Requests

• Chilled Water, Air Handlers & HVAC Replacements (October 8, 2015)	\$ 22,778.063
• Chilled Water, Air Handlers & HVAC Replacements (Project Development)	\$ <u>5,117.776</u>
Total	\$ 27,895,839
Less amount previously approved	<u>(\$5,000,000)</u>
TOTAL HVAC RECOMMENDATION	\$ 22,895,839
• Hot Water Heaters (April 3, 2017)	\$ <u>628,300</u>
TOTAL HVAC AND HWH RECOMMENDATION	\$23,524,139

Mr. Greathouse then gave an update on the Major Capital items at the Ballpark, noting first that the HVAC is almost complete, with 1 unit left to be installed. He then gave updates on the other Major Capital projects which have been approved, including safety and security systems, which may have some change order items, suite press box glazing, high steel painting, concrete resurfacing and field lighting.

He also noted that there would be some savings on some of those Ballpark Major Capital items and referred to a chart which showed potential savings from some items being shifted to other items. Mr. Kelly presented the chart to the Board and it was also observed that the Board had previously recommended all of these as Major Capital and the County had accepted those and agreed to fund those as Major Capital Repairs. As a result of savings in some projects, Gateway was asking for Board approval to go back to the County and reallocate the savings to certain of the other approved items.

Upon motion to authorize such action by Mr. Glover, seconded by Mr. Reidy, the Board unanimously approved such reallocation recommendation.

Next, Mr. Greathouse discussed a new project which could potentially be a Major Capital Repair which is the Indians players' parking lot, which needs to be expanded to be more consistent with Major League Baseball standards of having 80 spaces. Also, there would be updates to security and to staging areas for before and after game parties. He noted that the first phase would be the expansion of the lot through grading and fencing and reported that this would need City Planning approval. The Indians at this point were simply asking for approval of the concept and the Board would be advised later as to specifics in terms of the phasing of the project and the cost, whether it would be Major Capital or not, and funding.

Mr. Greathouse further noted that there would be some trees that might need to be removed, but that would be decided by the City Planning Commission. Mr. Greathouse then reiterated that the Indians were simply asking for approval of the concept only without any firm commitment on the determination of the scope or if the project qualifies a Major Capital.

Based on the presentation and a motion by Mr. Glover, seconded by Mr. Reidy, the Board unanimously agreed to support the concept presented by the Indians.

Next, Mr. Greathouse presented a new Ballpark alteration letter from the Indians, on the press box suite renovation to be done under the requirements of the Lease.

Next, the financial reports were given by Brian Kelly. He first reviewed the operating account for the month ended October 31st and reported a cash beginning balance of \$78,123, total receipts of \$212,907, total disbursements of \$192,784 for a month-end balance of \$98,246. He then reviewed the Ballpark Capital report for October which had a beginning balance of

\$124,629, expenditures of \$100,000, capital disbursements of \$223,431 for a balance of \$1,198, which he indicated was very low, but that there would be new monies deposited in that account before year end to complete other projects.

He then reviewed the projections from October 1st through December 31st. First, the current account balance is \$98,246, anticipated revenues are \$469,353, for estimated money before disbursements of \$567,609, operating disbursements are anticipated to be \$481,992, for an estimated balance by year-end of \$85,617.

Mr. Kelly reviewed the proposed operating budget for 2018. The total budget for both teams was \$4,672,594, an increase of \$182,976 or 3.9% from the prior year. He went through the budget in detail with the Board, including the various increases, the most significant being for the Indians part-time employee parking, which went up \$91,353.

Then he reviewed the separate budgets for Progressive Field and the Arena, with the Progressive Field budget going up about 5.2% and the Arena approximately 1.9%.

After further discussion, he noted that both teams had approved these budgets and they were ready for approval by the Board. On motion made by Mr. Reidy, seconded by Mr. Glover, Resolution, the following Resolution 2017-4 was unanimously approved by the Board:

RESOLUTION NO. 2017-4

REGARDING AUTHORIZATION AND APPROVAL OF ANNUAL OPERATING BUDGET FOR 2018

WHEREAS, Gateway Economic Development Corporation of Greater Cleveland ("Gateway") has entered into Lease Agreements with The Cleveland Indians Baseball Company Limited Partnership ("Indians") and the Cavaliers Operating Company, LLC ("Cavaliers") (collectively the "Lease Agreements"); and

WHEREAS, the Lease Agreements provide for determination of rent to be paid by each of the Cavaliers and Indians pursuant to an annual operating budget approved by Gateway; and

WHEREAS, such budget is to be approved by Gateway by November 15 of the preceding year for the annual budget, or as soon as practicable thereafter; and

WHEREAS, pursuant to the Lease Agreements, Gateway has worked with the Indians and Cavaliers to develop the 2018 annual operating budget and presented the same to the Board of Trustees; and

WHEREAS, the Board of Trustees wishes to adopt and approve Gateway's 2018 annual operating budget.

NOW, BE IT RESOLVED, that the Board of Trustees of Gateway (the "Board") on behalf of Gateway does hereby authorize and approve Gateway's annual operating budget, including for the Cleveland Indians and Cleveland Cavaliers, as presented and attached hereto as Exhibit A.

BE IT FINALLY RESOLVED, that the Chairman or Secretary-Treasurer are and each of them is hereby authorized and empowered for and on behalf of Gateway in its name to take all actions necessary to carry out the foregoing budget or to modify the same pursuant to the Lease Agreements without further action or notification to the Board, which such officer or officers shall in his, her or their judgment be deemed necessary, advisable or desirable in connection therewith, which execution or approval shall constitute the conclusive evidence of the approval and authorization thereto of Gateway.

Next Mr. Kelly reviewed the Capital Budget for Progressive Field for 2018 and referred the Board to the spreadsheet. The total amount for 2018 is projected to be \$2,275,000, which is slightly less than the \$2,595,000 for 2017. However, he noted that the Indians were increasing their 2017 Capital Budget to almost \$3,500,000 since September 30th, and they were looking to invest that money prior to year-end.

On further discussion and review by the Board, upon motion made by Mr. Glover, seconded by Mr. Reidy the following Resolution 2017-5 was unanimously approved by the Board:

RESOLUTION NO. 2017-5

REGARDING AUTHORIZATION AND
APPROVAL OF ANNUAL CAPITAL BUDGET
FOR THE CLEVELAND INDIANS FOR 2018

WHEREAS, Gateway Economic Development Corporation of Greater Cleveland ("Gateway") has entered into a Lease Agreement with The Cleveland Indians Baseball Company Limited Partnership ("Indians") (the "Lease Agreement"); and

WHEREAS, the Lease Agreement provides for the Indians to perform capital repairs in the Ballpark on behalf of Gateway; and

WHEREAS, the Indians and Gateway have annually agreed to a capital repair budget under the Lease to be funded by the Indians and performed by Gateway and the Indians (the "Budget"); and

WHEREAS, Gateway has worked with the Indians to develop the 2018 annual capital budget and presented the same to the Board of Trustees; and

WHEREAS, the Board of Trustees wishes to adopt and approve Gateway's 2018 annual capital budget with the Indians.

NOW, BE IT RESOLVED, that the Board of Trustees of Gateway (the "Board") on behalf of Gateway does hereby authorize and approve Gateway's annual capital budget with the Indians as presented and attached hereto as Exhibit A.

BE IT FINALLY RESOLVED, that the Chairman or Secretary-Treasurer are and each of them is hereby authorized and empowered for and on behalf of Gateway in its name to take all actions necessary to carry out the foregoing budget or to modify the same pursuant to the Lease Agreement without further action or notification to the Board, which such officer or officers shall in his, her or their judgment be deemed necessary, advisable or desirable in connection therewith, which execution or approval shall constitute the conclusive evidence of the approval and authorization thereto of Gateway.

Having completed the Agenda business, Mr. Kelly noted that the next meeting was scheduled for February 14, 2018.

Upon motion made by Mr. Glover, seconded by Mr. Reidy, the Board adjourned the meeting at approximately 2:00 p.m.

APPROVED:


Secretary-Treasurer